

Dear Applicant:

Thank you for your interest in the Dutchess County HOME Investment Partnership Program. The enclosed package includes program guidelines, a ranking form and an application. More detailed information on specific project types (i.e. rental housing) and the federal HOME regulations are available upon request.

We are requesting applications for the County's 2004 HOME funds. An estimated \$585,000 is available for non-profit and private developers. An additional \$124,800 is available solely for Community Housing Development Organizations (CHDO's).

The County is requesting applications at this time because it is required to publish a list of proposed projects in December 2003 for public comment and submit this list to the U.S. Dept. of Housing and Urban Development (HUD) in January 2004. HUD approval of the proposed projects is anticipated on March 1, 2004. HOME projects may begin once HUD approval has been received and the environmental review has been completed, assuming all other program regulations have been met. The County may not reimburse for expenses incurred prior to the beginning of the program year. Although projects may begin on March 1, 2004, funds will not be available until approximately June 2004.

These HOME funds may be used in all Dutchess County municipalities which have chosen to be members of the 2004 Community Development Block Grant Urban County Consortium. Currently the Urban County Consortium includes all Dutchess County municipalities except the Town of Fishkill and Village of Tivoli. For the second year funding is also available in the City of Poughkeepsie although these funds are limited to building which front directly on Main Street between Market Street and Clinton Street. All proposed projects must be in conformance with the 2003-2007 Dutchess County/City of Poughkeepsie Consolidated Plan. The priorities of the Plan are outlined on page 1 of the program guidelines.

It is County policy to use HOME funds to provide the "gap" financing necessary to make the project affordable under the HOME rent/sales price and income guidelines. The focus of this type of underwriting is to maximize private financing and minimize HOME funds. Detailed underwriting standards for rental housing projects are noted on pages 12-13 of the program guidelines. All projects must make an attempt to provide matching funds as noted on pages 4-5 of the program guidelines. Applications for owner-occupied housing can skip questions 14, 24 and Exhibit 2. For question 21 just list the bedroom sizes and sales prices.

Applications will be reviewed by County staff. During the review process, the staff may request additional information or ask that application omissions and errors be corrected. Final recommendations made by the Community Development Advisory Committee to the Dutchess County Executive.

We strongly suggest that you contact us prior to completing the application to review your project's eligibility. Please review the application and guidelines carefully to insure you have completed all questions, exhibits and attachments. Substantially incomplete applications will not be considered for funding.

All projects must comply with HUD's new Lead-Based Paint Regulations. Be sure to review the details of the Lead Based Paint Regulation on page 7-9 of the program guidelines.

We also ask that you review the tenant eligibility section of the guidelines on pages 15-16. These guidelines have not changed but beginning this year we must strictly enforce these guidelines to insure compliance with HUD regulations. You will be required to submit all documentation noted in this section. Failure to do so will result in a determination of non-compliance and may result in a foreclosure action.

Applications must be returned to the Dutchess County Department of Planning and Development, 27 High Street, Poughkeepsie, NY 12601 by Friday, September 26, 2003 at 5:00 p.m. Please note that the application is available in Word format and can be e-mailed to you for completion. Please contact me at (845) 486-3600 or [aesaylor@co.dutchess.ny.us](mailto:aesaylor@co.dutchess.ny.us) if you have any questions.

Sincerely,

Anne E. Saylor  
Housing Coordinator

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# **DUTCHESS COUNTY HOME INVESTMENT PARTNERSHIP PROGRAM**

## **2004 PROGRAM YEAR GUIDELINES**

These guidelines are divided into five sections: Consolidated Plan, General HOME Regulations, Community Housing Development Organization (CHDO), Rental Housing Regulations and Homebuyer Regulations. The Consolidated Plan and General HOME Regulations sections relate to all projects.

In addition to these guidelines, the County has developed a HOME Handbook which details the implementation process and includes copies all relevant documents and forms. A copy of this handbook will be given to each approved applicant. Copies are available to potential applicants for a \$10.00 charge plus postage, if applicable.

### **CONSOLIDATED PLAN**

Although many types of activities are eligible under the federal HOME Investment Partnership Program (HOME) regulations, applications for funds must be in conformance with the housing priorities in the County's approved 2003-2007 Consolidated Plan. These priorities include:

- Support the creation of new rental units through new construction or rehabilitation.
- Support the creation of new homeownership opportunities through new construction, rehabilitation and downpayment and closing cost assistance programs.
- Support the rehabilitation of existing owner-occupied housing occupied by low and moderate-income senior citizens. The County addresses this priority through its CDBG funded Senior Citizen Property Rehabilitation Program. Due to the existence of this program it is unlikely that the County would approve HOME funds to address this priority.

### **GENERAL HOME REGULATIONS**

#### **Eligible Activities**

Within the priorities listed above, the following specific activities are eligible:

- Rehabilitation
- Conversion - Conversion of any existing structure from an alternative use to affordable housing. If project involves new walls beyond the existing structure, the project is new construction.
- Reconstruction - Building a new structure on the foundation of a previous structure.

New Construction - Includes: newly built projects; existing projects which involve the addition of new units outside the existing walls of the structure; and units which received their initial certificate of occupancy within the one year prior to the commitment of HOME funds.

- Acquisition of Property - It is County policy to only pay acquisition costs for non-profit agencies. The County will reimburse private developers of Low-Income Housing Tax Credit projects for their acquisition costs in accordance with the following schedule: 90% of the County funds may be released when the project is 50% complete; the balance of the funds will be release upon the issuance of Certificates of Occupancy by the local municipality.
- Relocation Costs - Any occupied property must include the costs of relocation.
- Acquisition of vacant land - HOME funds can only be used when HOME funds have been committed for construction. It is County policy to only pay acquisition costs for non-profit agencies.
- Site Improvements - Must be "in keeping with improvements to surrounding standard projects."
- Demolition - HOME funds can only be used when HOME funds have been committed for construction. It is County policy to only pay demolition costs for non-profit agencies.
- Project "Soft" Costs - Must be reasonable and necessary. They must be paid for by the owner as part of the project and must be for services rendered by a third party. The County prefers to use HOME funds for "hard costs". The County reserves the right to revise proposed budgets to reach this goal. This goal is more flexible for non-profit organizations.

Finance related costs such as; origination fees, credit reports, title reports and updates, recording fees, legal fees, appraisal, loan processing fees and other customary fees approved by the County. The applicant's legal fees should be reasonable and necessary. The maximum legal fee that the County will reimburse for the applicant's attorney is \$125 per hour.

Construction related costs such as; architectural and engineering fees, preparation of work write-up/cost estimate and builder/developer fee. The County requires that owner's sign fixed fee contracts with architects/engineers. Design costs (including but not limited to: as-builts, final plans and specifications, cost estimates, building permits, planning and zoning approval) will be limited to 7% of the project's proposed construction cost. Project coordination costs (including but not limited to: bidding coordination and review, progress inspections, progress payments, change orders, design changes and final sign-off) will be limited to 3% of the project's proposed construction cost. These percentages are maximums not guaranteed

percentages. We do not expect the cost for a 4-unit moderate rehabilitation to be as high as a 4-unit gut rehabilitation. The County reserves the right to limit fees below the maximums outlined if it considers them unreasonable. All costs in excess of the percentages outlined above and/or what the County considers reasonable will be kept off budget and paid by the owner.

Project audit costs.

Affirmative marketing and fair housing.

**Any activity noted above which is to be paid by HOME funds must be secured according to the HOME procurement guidelines. Generally this requires public bidding for construction and three quotes for professional services (i.e. legal, architectural/engineering etc.). The lowest, responsible bidder must be chosen. All solicitations for services to be paid by HOME funds must also follow HOME affirmative marketing rules.**

### **Forms of Financial Assistance**

The County's approach to providing HOME funds is to provide the "gap" financing necessary to make the project affordable under the HOME rental/purchase and income guidelines. The focus of this type of underwriting is to maximize private financing and minimize HOME funds. Detailed underwriting standard for rental housing projects are noted under the rental housing section of these guidelines.

The County will consider providing HOME funds in the following manners:

- \* Interest bearing loans
- \* Non-interest bearing loans
- \* Deferred loans (forgivable or repayable)
- \* Other forms approved by the County

Applicants may propose any of the forms listed above. However, loan proposals receive a higher priority. Projects that can be completed solely with private financing are not eligible.

### **Letter of Credit**

The County reserves the right to request a letter of credit, or other liquid security acceptable to the County, to ensure successful completion of the project. The amount of the letter of credit will be determined by the County. This letter of credit is particularly important when an owner is acting as a general contractor. In such a case the County will request a letter of credit in an amount equal to the difference between the contractor's cost and the County's cost to hire a general contractor through a public bidding process.

Letters of credit must be irrevocable, non-documentary, issued by a NYS bank approved by the County and in a form acceptable to the County. Other forms of security will be subject to County approval.

### **Property Standards**

The New York State Uniform Fire Prevention and Building Code must be met at the completion of the project. Projects must also meet all local building codes and ordinances. The County has also adopted the construction standards of the Community Preservation Corporation attached as Exhibit "B". New construction must meet the Model Energy code. Substantial rehabilitation projects must meet the cost-effective energy conservation and effectiveness standards.

### **HOME Investment Per Unit**

The minimum HOME subsidy per unit is \$1,000. The maximum HOME subsidy per unit is:

0 - bedrooms	= \$61,950	2 - bedrooms	= \$86,352	4 - bedrooms	= \$122,623
1 - bedroom	= \$71,014	3 - bedrooms	= \$122,623		

The average per unit HOME subsidy is \$10,000.00. The average for projects containing 12 or fewer units is \$30,000.00. The average for larger projects is \$2,000 per unit.

### **Match Requirements**

The HOME Program requires that HOME funds be matched with non-federal forms of subsidy. The matching requirement is .25 cent for every \$1 in HOME funds. The premise of the "match" is that the provision of affordable housing is a community responsibility and, as a result, the local community should make a financial contribution to "match" the federal HOME funds. It is important to note that an owner, an investor or anyone who the County may determine has an interest in the project may not provide the match.

This is a "program rule" rather than a "project rule" meaning HUD reviews the County's program and not each project for compliance with this rule. However, the County must impose a matching requirement on projects to meet the program rule. As such, HOME projects should make an effort to provide as many matching dollars as possible. Projects providing matching funds will receive a higher priority. Compliance with this rule will be a fundamental consideration of the County when making funding recommendations. The County may be forced to fund a lower ranking application to meet this rule.

Eligible matches are described below. It is important to note that the match can be a direct contribution which lowers a project's development cost (e.g. NYS housing grant or a bank waiving closing costs) or a contribution which lowers the operating cost of the project in the future (e.g. a low-interest loan from a local utility company or a partial tax waiver from the municipality). Direct

contributions should be noted on the development budget as appropriate. Contributions that will affect future operating costs should be noted in Question 34 and not on the development budget.

Match obligations can be met with:

- Permanent cash contributions from non-federal funding programs such as NYS Housing programs and Federal Home Loan Bank Affordable Housing programs.
- Grant equivalent of below-market interest rate loans.
- Non-profit equity
- The value of waived taxes, fees, or other charges normally imposed by local jurisdictions.
- The value of land or real property donated or provided at less than appraised value.
- Cost of infrastructure improvements not made with federal resources.
- Reasonable value of donated site-preparation, construction materials and voluntary labor.
- Homeowner sweat equity (not investor sweat equity).

Ineligible forms of match include:

- Contributions made with or derived from federal funds.
- Interest rate subsidy attributable to federal tax-exempt financing or the value of federal tax credits.
- Owner equity or investment in a project. Investor sweat equity.
- Cash or other forms of contributions from applicants or recipients of HOME funds, or investors who own, are working on, or are proposing to apply for, assistance for a HOME-assisted project. This includes private bank mortgages.

### **Cost Overruns**

Applicants should make every effort to be as realistic as possible when developing the construction and development budgets. Construction budgets should be as comprehensive as possible and should consider items such as the removal of lead based paint and asbestos.

The County does not keep a reserve account for cost overruns. The County's HOME Program is generally 100% allocated. Requests for additional funds must be submitted as part of the County's annual HOME allocation cycle and will be considered after all new projects have been considered. As a result, it is unlikely that County funds will be available to pay for cost overruns. Cost overruns will be the responsibility of the owner.

### **Cost Reasonableness**

The County will review all development and construction budgets for cost reasonableness. Projects where the County determines that the costs are not reasonable will be denied funding.

### **Beginning of Construction**

Construction may not begin on an approved project until the beginning of the program year, March 1, 2004. Costs incurred prior to this date are ineligible for reimbursement.

### **Other Funding**

Most HOME projects have additional funding sources. Projects where such funding is committed will receive a high priority than projects that have or are going to apply for funds.

### **Release of Funds**

The County will no longer release its funds at the beginning of a project. All owner equity must be invested in the project prior to the release of any County funds. Ten (10) percent of the County funds will be held until the issuance of Certificates of Occupancy by the local municipality.

### **Other Federal Rules/Implementation Guidelines**

A number of federal regulations apply for all HOME activities. Below is a list of the regulations and brief description of each. More detailed information is available from the Department of Planning and Development upon request.

### **Affirmative Marketing**

An affirmative marketing package will be provided to each approved applicant. The basic marketing steps include:

- An "apartment for rent" notice in Hudson Valley Black Press. The notices can be placed in other newspapers. The notice must include the following statement: "Equal Opportunity Housing."



- A copy of the "apartment for rent" notice to the Dutchess County Section 8 Program.
- A copy of the "apartment for rent" notice sent to community organizations by the County.
- The owner must post a County fair housing notice at the rental office/location.

There are specific lease requirements which must be followed. These requirements are outlined in the County's affirmative marketing package.

### Equal Opportunity and Fair Housing

All HOME program participants must comply with all state and federal laws and regulations regarding fair housing and equal opportunity. No person in the United States shall on the grounds of race, color, national origin, religion or sex be excluded, denied benefits or subjected to discrimination under any program funded in whole or in part by HOME funds.

Bidding requirements are detailed in the "Bidding" section of these guidelines. Projects approved for HOME funding must follow the County's procedures regarding minority outreach.

To the greatest extent feasible, opportunities for training and employment arising from the HOME Program will be provided to low-income persons residing in the program service area. To the greatest extent feasible, contracts for work to be performed in connection with the HOME Program will be awarded to businesses which are located in or owned by persons residing in the County. However, projects must follow the bidding requirements.

### Bidding

All projects, unless the developer is a qualified contractor as defined by the Dutchess County Department of Planning and Development, must be publicly bid. To be qualified as a contractor, contracting must be your prime source of income. You must also have completed a project(s) similar to the proposed project and must meet the County's workmanship and financial standards. Compliance with County standards will be determined through a reference check including site visits.

For all other projects, bid notices must be placed in the Poughkeepsie Journal and the Hudson Valley Black Press at the expense of the owner. All bid notices must be sent to all applicable minority and women-owned businesses on the County's MBE/WBE mailing list. Bid notices must also be sent to the three local construction trade journals. Bids must be available for at least two weeks. The Owner must provide opportunities for all interested firms to visit the site during the bidding period. All bids must be submitted sealed and in writing. Bids will be accepted by the Owner who shall open them at a designated date and time. The County must be notified of the bid

opening date and time. Bidders and the County must be permitted to attend the bid opening. The Owner shall keep a record of the bid opening. The Owner reviews the submitted bids, checks references and notifies the County of the chosen contractor. The Owner must choose the lowest, responsible bidder. The Owner must submit all bid documents, including reference checks, to the County for compliance with HOME regulations. More detailed information will be made available when a project is approved. The County reserves the right to impose additional requirements as necessary to insure compliance with HOME regulations.

Professional services, if paid by HOME funds, must be secured through three written quotes. The applicant must request quotes in writing. The requests should outline the scope of services and details regarding the awarding of the contract. The Owner must choose the lowest, responsible bidder. All procurement documents must be submitted to the County for review and approval.

#### Handicapped Access

All HOME Program participants must comply with Section 504 of the Rehabilitation Act of 1973 which prohibits discrimination in federally assisted programs on the basis of handicap. Depending on the type of rehabilitation and the number of units, a percentage of the units in a project must be handicapped accessible. Note that the NYS Building Code may require a higher percentage than Section 504.

#### Site and Neighborhood Standards

Housing provided through the HOME Program must promote greater choice of housing opportunities. The County will consider this during the application process.

#### Environmental Review

The County must conduct an environmental review on every project. It is the responsibility of the owner to insure that the County has all the information necessary to complete the review. Project may not begin and funds may not be expended until the review is completed and funds are released by HUD.

#### Lead-Based Paint

All projects funded after January 10, 2002 must comply with HUD's new Lead-Based Paint Regulations entitled "Requirements for Notification, Evaluation and Reducing of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance". These requirements are imposed on all buildings built pre-1978, when lead was removed from all paint by federal law.

The following table outlines the activities which must be undertaken based on the amount of Federal funding expended per unit:

	<b>Federal Expenditure Per Unit</b>		
<b>Activity</b>	\$5,000 or less	\$5,001-\$25,000	\$25,001 or more
Safe Work Practices	<b>X</b>	<b>X</b>	<b>X</b>
Paint Testing	<b>X</b>	<b>X</b>	<b>X</b>
Risk Assessment		<b>X</b>	<b>X</b>
Interim Controls		<b>X</b>	<b>X</b>
Abatement			<b>X</b>
Clearance	<b>X</b>	<b>X</b>	<b>X</b>

The following are definitions for the activities noted above:

Safe Work Practices - All removal of lead-based paint must be completed by an EPA certified contractor. Safe work practices also include: protection of the occupants (including possible temporary relocation); preparation of the worksite; avoiding prohibited treatments and worksite clean-up.

Paint Testing - Testing of samples of dust and paint chips by a certified laboratory.

Risk Assessment - Must be completed by a certified Risk Assessor and includes a visual assessment and testing to determine the existence, nature, severity and location of lead-based paint hazards.

Interim Controls - Measures to temporarily reduce human exposure to lead-based paint including: paint stabilization; treatment of friction and impact surfaces; cleaning and dust control and lead-based paint soil control. All work must be performed by a trained worker or a worker under a Certified Supervisor.

Abatement - Involves the permanent elimination of a lead-based paint by an EPA certified contractor.

Clearance - Conducted when lead hazard reduction or elimination activities are completed and debris is removed. It involves a visual assessment and dust samples to determine that lead-hazards have been reduced or eliminated.

All occupants of a building proposed for the reduction or removal of lead-based paint must be notified of the project and given a brochure on the hazards of lead-based paint.

We recommend that you contact us directly if you suspect your building has lead-based paint. The full lead-based paint regulation can be reviewed at our office or on the internet at [www.hud.gov/lea/leahome.html](http://www.hud.gov/lea/leahome.html). Copies of the regulation are available for a printing charge (and postage, if mailed).

#### Labor Standards

Davis-Bacon compliance (prevailing wages) and other Federal laws and regulations pertaining to labor standards apply to all contracts containing 12 more HOME-assisted units.

#### Debarment and Suspension

Participants in HOME Projects (owners, contractors and professionals) must certify that they are not debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from the covered transaction.

#### Flood Insurance

HOME funds may not be invested in housing located in an area identified by the Federal Emergency Management Agency as having special flood hazards unless flood insurance is obtained and the community participates in the National Flood Insurance Program.

#### Conflict of Interest

In procurement of property and services, 24 CFR 85.36 and OMB Circular 110 rules regarding conflict of interest apply. If an person is an employee, agent, consultant, officer, elected official or appointed official of the County or has HOME related responsibility or access to inside information; that person may not obtain a financial benefit or interest from any HOME activity for themselves or those with whom they have family or business during their tenure or for one year thereafter.

#### Relocation

HOME projects must comply with the Uniform Relocation Act (URA) whenever displacement occurs as a direct result of HOME-assisted rehabilitation, demolition or acquisition. **If your proposed project is occupied at the time of application contact the County for the detailed regulations.** Failure to do so may result in disqualification of your application as you may be required to submit notifications as part of your application. **It is the expressed policy of the County to strictly comply with the URA and to minimize displacement.**

## **COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS**

Community Housing Development Organizations (CHDOs). CHDOs are a specific type of non-profit organization defined exclusively for the HOME Program. Below is a list of the major CHDO eligibility standards:

- CHDOs must be organized under state or local law.
- Must have 501(c)(3) status from the IRS.
- Provision of affordable housing must be among the purposes stated in the charter, articles of incorporation, resolutions or by-laws.
- At least 1/3 of the governing board of CHDOs must be: residents of low-income neighborhoods; other low-income residents of the community; or elected representatives of low-income neighborhood organizations.
- No more than 1/3 of the governing board of the CHDO may be appointed by state or local government nor may more than 1/2 of the board be public officials.
- CHDOs must provide a formal process for low-income persons to advise the organization on design, location of sites, development and management of affordable housing.
- CHDOs may not be public bodies or instruments of public bodies.
- CHDOs may not be controlled by nor under the direction of for-profit individuals or entities seeking profit from the organization.
- CHDOs must have standards of financial accountability that conform to attachment F of OMB Circular A-110 (Rev) "Standards for Financial Management Systems."
- CHDOs must have at least one year of experience serving the community where they are provided HOME assisted housing.

## **RENTAL HOUSING REGULATIONS**

### **Eligible Property Types**

- one or more buildings on a single site that are under common ownership, management and financing.
- buildings scattered on more than one site as long as the sites are under common ownership, management and financing, and received HOME assistance as part of a single undertaking.

Ineligible properties include: projects assisted under Title VI of NAHA - Prepayment of Mortgages Insured under the National Housing Act; Public Housing projects; Rental Rehabilitation Program funded projects; properties with existing obligations to any federal, state or local housing programs.

### **Underwriting**

It is the County's stated position to provide gap financing and require that private financing be maximized. It is also the position of the County to give higher points to projects which request loans in hopes of receiving repayments.

All rental projects will be underwritten assuming a 30 year mortgage, at a current rate (determined by the County), with a 1.3 debt coverage ratio for the private financing. All income available at a 1.3 ratio must be used for private financing. Further, the County will use a debt coverage ratio of 1.15 for the combined private and public debt. The difference between the net operating income available at the 1.3 debt coverage ratio and the 1.15 debt coverage ratio will be used to repay at least a portion the County's HOME funds.

Example: If a project has \$100 per month in net operating income (NOI), at a 1.3 debt coverage, the project will have \$77 per month available for private debt service. This will be the monthly payment to the private lender. At the 1.15 debt coverage the project will have \$87 per month available for all debt service. The amount available to repay the County's HOME funds would be \$10 per month (\$87 -\$77). Assuming a 30 year mortgage and current rates, the project could repay a \$9,787 private loan. Assuming a 30 year term and zero percent interest the project could repay the HOME program \$3,600 (\$10 x 12 months x 30 years).

After the County determines the cost of the project and the amount of HOME subsidy needed, we will use the process outlined above to determine the funds available to repay the HOME funds. The County will use this available funding to determine the amount of HOME funds that can be repaid at a 30 year, zero percent interest term. These funds will be awarded as a loan under the terms outlined above. The balance of the funding will be awarded as a deferred payment loan.

Example: Using the example above, if the project cost is \$20,000 it would need \$10,213 (\$20,000 - \$9,787) in HOME funds (owner's equity is moved from this example for simplicity). These funds would be awarded as a \$3,600 loan and a \$6,613 deferred payment loan.

### **Single Room Occupancy(SRO)/Group Housing**

Permanent and transitional SRO and group housing are eligible under the HOME Program. They must generally comply with the rental housing guidelines. Specific guidance is available through CPD Notice 94-01 "Using HOME funds for Single Room Occupancy (SRO) and Group Housing" available from the County. Please request this notice if you are applying for such a project.

### **Property Standards**

Refer to general program property standards noted on page 4. Additionally, rental housing property owners must maintain these housing standards for the duration of the regulatory period. Periodic inspections will be conducted by the County to insure these standards are complied with.

### **Mixed-Income/Mixed-Use Projects**

The HOME Program allows only a portion of a project to be HOME assisted. Mixed-income and mixed-use (i.e. residential and commercial) are eligible for HOME funds. However, project costs must be allocated on a rational, documented basis in accordance with the actual unit-by-unit expenditures; or prorating of expenditures reflecting the proportion of HOME units in the project; or a combination of both.

In a mixed-income project, designated HOME-assisted units may change over time (called "floating units") as long as the total number of affordable units remains the same and the substituted units are comparable in size, features and number of bedrooms. The owner must select fixed or floating unit at the time of application.

### **Tax Credits**

Tax credits and HOME funds may be used together and for the most part the rules are compatible. The general rule is that when Tax Credit and HOME rules conflict Tax Credit rules are to be followed. Any project receiving Tax Credit and HOME funds requires a layering review to insure that the project is not receiving an excess amount of subsidy.

### **Initial HOME Rents**

Initial project rents may not exceed the following High Home Rent:

0 - bedrooms	= \$646	2 - bedrooms	= \$974
1 - bedroom	= \$810	4- bedrooms	= \$1,117

For projects with five or more HOME units, 20% of the units must be at or below the following Low Home Rent:

0 - bedrooms	= \$596	2 - bedrooms	= \$766
1 - bedroom	= \$638	3 - bedrooms	= \$885

If an applicant chooses to not include utilities in the rent, the rents must be reduced by the applicable allowances listed in Exhibit A. Allowances are based on building type.

### **Future HOME Rents**

HOME assisted units are rent controlled for varying lengths of time depending on the average amount of HOME funds invested per HOME unit:

Activity	Per Unit HOME Cost	Min. Affordability Period
Rehab or Acquisition of Existing Housing	<\$15,000	5 years
	\$15,000-\$40,000	10 years
	>\$40,000	15 years
New Construction or Acquisition of New Housing	Any amount	20 years

For the applicable period outlined in the table above, the project must maintain the rent levels outlined under the initial HOME rent section. These rents are secured by a mortgage filed by the County.

### **Rent Adjustments**

HOME rents may be adjusted by the County as permitted by HUD. Rent increases are permitted within rent maximums, but tenants must be given 30 days written notice before increases are implemented. Any increases are also subject to other provisions of the lease agreement. Please note that HOME rents could decrease but are not required to fall below the HOME rent limits in effect at the time of project commitment.



## **Occupancy Requirements**

In addition to rent limits there are households income limits. All HOME units must be occupied by families whose annual incomes do not exceed 60% of the median income (low income families).

In projects with three or more units, 20% of the units must be occupied by families whose annual incomes do not exceed 50% of the median income. Very low-income families must occupy these units.

The following are the current income maximums for the income groups listed above:

<u>Household Size</u>	<u>50% Income</u>	<u>60% Income</u>
1	\$23,850	\$28,620
2	\$27,250	\$32,700
3	\$30,650	\$36,780
4	\$34,050	\$40,860
5	\$36,750	\$44,100
6	\$39,500	\$47,400

These maximums may be adjusted periodically.

## **Determining Income Eligibility of HOME Tenants**

Annual income is compared to the income limits listed above to determine a tenant's income eligibility. The Program uses the same definitions of annual income as the Section 8 Program. Annual income is the gross amount of income anticipated to be received by all persons 18 years of age or older during the 12 months following the effective date of determination. A copy of the "Technical Guide for Determining Income and Allowances for the HOME Program" will be made available to each approved applicant and must be strictly adhered to.

Each prospective tenant that wishes to rent a HOME unit, after viewing the unit, must complete a County tenant eligibility form and a prospective tenant with a letter which describes their obligations and rights under the HOME Program, in addition to other documentation required by the owner. Tenants must provide a copy of a current pay stub and their most recent federal income tax statement. Tenants who will not provide this information may not rent a HOME unit. The tenant eligibility form, the prospective tenant letter and the income documentation must be sent to the County for their review and approval. These requirement and sample letter are outline in the HOME Program Handbook which is provided to each approved applicant.

Upon occupancy the owner must also complete a County "Tenant Characteristic" form which describes the characteristics for each household occupying a HOME unit. This information is required by the federal government for our project completion report.

### Annual Income Recertification

Owners must recertify tenant's income every year. Typically, their income will be recertified on the anniversary of their original income evaluation and lease signing. If their household income remains at or below the program's maximum income their rent will remain at the maximum program rent. If a tenant's income exceeds the program maximum or they refuse to provide the required income recertification information they may stay in their apartment but they must pay the lesser of 30% of their adjusted monthly income for rent and utilities or the market rent.

### Documentation of Income/Rent Compliance

Owner's will be required to submit annual documentation of compliance with income and rent regulations. Documentation will include but not be limited to: copies of income documentation and leases. Current income and rent limits will be posted on the County's website at [www.dutchessny.gov/cd.htm](http://www.dutchessny.gov/cd.htm). Income and rent limits are general adjusted by HUD each spring. The County will post them as soon as they are available. Current utility allowances will also be posted. Failure to comply with the income and rent limits will be grounds for foreclosure.

## **HOMEBUYER REGULATIONS**

The following regulations apply to the creation of homeownership opportunities through new construction or rehabilitation.

### **Eligible Owners**

County HOME funds for homeownership are currently limited to “first-time homebuyers” who will occupy the property as their principal residence. A “first-time homebuyer” is any low-income household that has not owned a home within the past three-years. A low-income family can have a gross income no greater than 80 percent of the area median, adjusted for family size, as established by the U.S. Department of Housing and Urban Development. The following are the current 80% income limits.

<u>Household Size</u>	<u>80% Income</u>
1	\$38,150
2	\$43,600
3	\$49,050
4	\$54,500
5	\$58,850
6	\$63,200

Even some families that have owned a home within the past 3 years can participate if they meet the established definition of a “displaced homemaker”.

### **Eligible Property**

Any one-four unit property that will serve as the principle residence of the purchaser can be used in the program. This may include:

- \* Single-family home (one unit)
- \* A two- to four-unit property
- \* Condominium units
- \* Cooperative unit

### **Forms of Ownership**

Program rules permit a variety of ownership approaches including fee simple title, 99-year leasehold interest, and ownership or membership in a condominium or cooperative unit.

### **Subsidy Approaches**

There are many ways to subsidize homeownership under the HOME program. This application is limited to the development subsidy approach. Under this approach HOME funds are invested in the acquisition, construction and/or rehabilitation of the project prior to the initial sale to the first time homebuyer.

### **Property Value Limits**

The HOME Program requires that all properties used in a homeownership program have a value that does not exceed 95 percent of the median value for the area. HUD regulations governing the HOME program use the FHA 203(b) mortgage limits as the proxy for the 95 percent of median value. The following are the current FHT 203(b) mortgage limits:

1- family	\$226,100
2- family	\$254,660
3- family	\$309,400

The property value must be supported by a certified appraisal.

### **Use of the Property as a Principal Residence**

The property occupied by the first time homebuyer must be retained as the principal residence by the owners and subsequent purchasers for a period of 15 years (20 years for new construction) commencing on the date of purchase by the eligible homebuyer. A deed restriction must be place on the property to insure compliance with this requirement.

### **Use of Single-Family Properties with Rental Units**

Use of single-family properties that contain one, two or three rental units in a HOME-assisted first-time homebuyer program may require compliance with additional HOME rental program requirements. Compliance will be determined based on the amount of subsidy requested. Please contact the County for more information if your project contains rental units.

### **Resale Provisions**

If the original first-time homebuyer retains ownership of the property for the full period of affordability, no resale restrictions will apply. However, if there is a property transfer during the period of affordability, affordability must be ensured using one of the two following options:

Recapture – The original first time homebuyer repays the funds to the County. These funds will then be used by the County to assist another eligible first-time homebuyer.

Resale – The original first time homebuyer may resell to another income eligible homebuyer.

Details on each of these options is available from the County.